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October 21, 2010

VIA U.S. MAIL

Ms. Kim Ferraro
Executive Director
Legal Environmental Aid Foundation of Indiana, Inc.
150 Lincolnway, Suite 3002
Valparaiso, IN 46383

Re: Pines Site Technical Assistant Plan ("TAP") Agreement

Dear Ms. Ferraro:

NIPSCO and Brown Inc ("Respondents") received EPA's August 2010 letter to you regarding the TAP Agreement. A copy of the EPA letter is attached. We agree in all material respects with the facts and analysis of the TAP Agreement as recited in the EPA's letter, especially as it relates to the disputed \$86,000 in Geo-Hydro charges.

While the PINES Group has been qualified for a second \$50,000 grant under the TAP Agreement so it can continue TAP activities, the group has not submitted an approvable budget and scope of work indicating how it intends to administer this second grant, as required by the TAP Agreement. Without an approved budget and scope of work, the \$50,000 grant cannot be made available to the PINES Group under the TAP Agreement.

The EPA letter requests that the PINES Group submit the necessary documentation so that the RI/FS process can again move forward. Despite this request, the group has made no further effort to secure the grant. We understand that EPA is hesitant to move forward without a TAP group's participation. The Respondents are therefore concerned that the RI/FS process will be delayed even though it is close to completion. We believe it is extremely important for the process to get back on track so any remaining environmental issues related to the site can be addressed.

In the interest of getting the RI/FS process back on track, on October 1, 2010, the Respondents sent to the EPA a letter indicating that they were willing to make the following offer to the PINES Group:

Ms. Kim Ferraro
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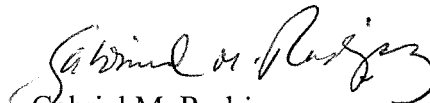
If the PINES Group submits to EPA and the Respondents a scope of work and budget for the \$50,000 grant, and such budget and scope of work are approved by both the EPA and the Respondents, then the Respondents will not only make available the grant funds (up to \$50,000 for work necessary to complete the RI/FS process), but they will also pay the \$86,000 invoice of Geo-Hydro for the unauthorized work it performed. A copy of our October 1, 2010 letter is attached.

On October 5, 2010, we received the PINES Group's notice of intent to sue under CERCLA. In spite of this development, the Respondents have decided to move forward with the offer we had previously described to the EPA. As noted above, and in our October 1, 2010 letter to EPA, the Respondents will agree to pay the \$86,000 invoice of Geo-Hydro for the unauthorized work it performed. However, the Respondents also expect the PINES Group to submit an approvable scope and budget for the second \$50,000 grant, as required by the TAP Agreement. We will make the \$50,000 grant available upon approval of the scope and budget. We will also make the \$86,000 payment at that time. We will not make any other payments for any charges you have incurred other than the \$86,000 Geo-Hydro invoice, and any future expenditures covered by an approved scope and budget. So as to avoid any further delay, we hope to receive your proposed scope and budget no later than 30 days from the date of this letter.

The Respondents wish to make clear that this payment is being made voluntarily in order to move the RI/FS process forward. The making of this payment is not meant to suggest that the Respondents will accept future non-compliance with the terms of the TAP Agreement. It is our expectation that all parties will fully comply with the terms of the TAP Agreement.

As noted above, this offer remains open for 30 days. Please do not hesitate to call me if you have any questions.

Sincerely,


Gabriel M. Rodriguez

GMR:dm
Enclosure

cc: Larry L. Johnson



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5
77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

REPLY TO THE ATTENTION OF:

C-14J

Ms. Kim Ferraro
Executive Director
Legal Environmental Aid Foundation of Indiana, Inc.
150 Lincolnway, Suite 3002
Valparaiso, Indiana 46383

Re: Pines Site Technical Assistance Plan

Dear Ms. Ferraro:

Thank you for your recent correspondence regarding the above-referenced matter. U.S. EPA understands the desire of your client, the P.I.N.E.S. Group, to obtain reimbursement for work it authorized its consultant to perform during the course of the Remedial Investigation (RI) at the Pines Site.

U.S. EPA required Respondents performing the RI to enter into a TAP Agreement with your client in order to provide funding to your client for technical assistance during the remedial process at the Pines Site. The TAP Agreement between your client and the Respondents specifically sets forth criteria which must be met before additional funding may be authorized. U.S. EPA understands that the original TAP Agreement's criteria for additional funding was incomplete, causing your client's initial request for funding beyond the original grant of \$50,000 to be denied. Notwithstanding this denial, and at a time when your client knew that no funds were available or authorized under the TAP Agreement or otherwise, your client appears to have authorized its consultant to continue to perform work and incur approximately \$82,000 in additional costs.

U.S. EPA is unable to make public funds available to your client, after the fact, for reimbursement of the unauthorized costs incurred by its consultant. Likewise, EPA believes that there is no basis to require the Respondents to pay these unauthorized costs. In an effort to assist your client in this matter, U.S. EPA offered publicly funded mediation services between your client and the Respondents, which your client has apparently declined.

Within the past year the TAP Agreement was amended to include the proper criteria for additional funding, and your client's subsequent request for additional funding was approved. In order to make the additional authorized funding available to your client, the TAP Agreement requires that a budget and work plan be submitted for review and approval. Tim Drexler, the

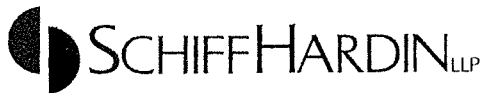
Remedial Project Manager, has offered to assist your client in the development of a work plan, and U.S. EPA will continue to offer to meet with and assist your client in its role as the designated community group for the Pines Site.

U.S. EPA encourages your client to re-engage in the remedial process without delay by submitting the required documents and making the newly authorized funds available. Please feel free to contact me at 312-886-6609 if you wish to discuss this matter further.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Larry L. Johnson', with a stylized, flowing script.

Larry L. Johnson
Assistant Regional Counsel



Gabriel M. Rodriguez
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October 1, 2010

VIA U.S. MAIL & EMAIL

Larry L. Johnson, Esq.
Assistant Regional Counsel
U.S. EPA, Region 5
77 W. Jackson Blvd., 14th Fl.
Chicago, IL 60604

Re: Pines Site Technical Assistance Plan ("TAP") Agreement

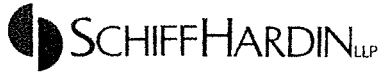
Dear Mr. Johnson:

NIPSCO and Brown Inc ("Respondents") are in receipt of the EPA's August 2010 letter to Kim Ferraro in the above-referenced matter. A copy of the EPA letter is attached. The Respondents agree in all material respects with the facts and analysis of the TAP Agreement as set forth in the EPA's letter.

First, we agree that the \$86,000 Geo-Hydro invoice is not reimbursable under the TAP Agreement. As EPA notes in its letter, the PINES Group authorized work by Geo-Hydro, its advisor, at a time when it had no TAP grant in place. It did not submit for prior approval a scope of work or budget for that work and it apparently made no effort of its own to control or manage the work so as to keep it within any particular spending limit. For these reasons, the \$86,000 in Geo-Hydro charges are not and should not be reimbursable under the TAP Agreement.

Second, as EPA also points out in its letter, the PINES Group chose not to participate with the Respondents in a mediation which EPA made available to the parties.

Finally, and perhaps most disturbingly, the PINES Group apparently has decided to boycott further participation in the RI/FS process. While the group has been qualified for a second \$50,000 grant under the TAP Agreement so it can continue TAP activities, the group has not submitted an approvable budget and scope of work indicating how it intends to administer this second grant, as required by the TAP Agreement. Without an approved budget and scope of work, the \$50,000 grant cannot be made available to the PINES Group under the TAP Agreement.



Larry L. Johnson, Esq.
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The EPA letter requests that the PINES Group submit the necessary documentation so that the RI/FS process can again move forward. To our knowledge, the group has made no further effort to secure the grant. We understand that EPA is hesitant to move forward in this process without a TAP group's participation. The Respondents are therefore concerned that the RI/FS process will be delayed now when it is at a critical stage and close to completion. They believe it is extremely important for the process to get back on track and move toward completion.

In the interest of getting the RI/FS process back on track, the Respondents are willing to make the following offer to the PINES Group, which the Respondents will convey in the next few days:

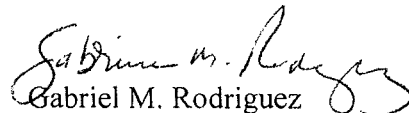
If the PINES Group submits to EPA and the Respondents a scope of work and budget for the \$50,000 grant not later than October 15, 2010, and such budget and scope of work are approved by both the EPA and the Respondents, then the Respondents will not only make available the grant funds (up to \$50,000 for work necessary to complete the RI/FS process), but they will also pay the \$86,000 invoice of Geo-Hydro for the unauthorized work it performed.

The Respondents wish to make clear that this payment is being made voluntarily in order to move the RI/FS process forward at this critical stage. The making of this payment is not meant to suggest or imply that the Respondents will tolerate further failures on the part of the PINES Group to comply with the terms of the TAP Agreement. They will not, and indeed, they expect and will require that the PINES Group will fully comply with the terms of the TAP Agreement.

Please do not hesitate to call me if you have any questions.

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Sincerely,


Gabriel M. Rodriguez

GMR:dm
cc: Lou Rundio
Maggie Rice